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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKET CONTROL

Arizona Corporation Commission

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COMMISSIONERS

BOB STUMP- CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01773A-12-0305
ARIZONA ELECTRIC POWER COOPERATIVE,)
INC. FOR A HEARING TO DETERMINE THE)
FAIR VALUE OF ITS PROPERTY FOR)
RATEMAKING PURPOSES, TO FIX A JUST) **NOTICE OF FILING**
AND REASONABLE RETURN THEREON AND)
TO APPROVE RATES DESIGNED TO)
DEVELOP SUCH RETURN..)

Trico Electric Cooperative, Inc. ("Trico"), through undersigned counsel, hereby files the
Rebuttal Testimony of Vincent Nitido.

RESPECTFULLY SUBMITTED this 13th day of June 2013.

ROSKA DEWULF & PATTEN, PLC.

By

Michael W. Patten

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Original and thirteen copies of the foregoing
filed this 13th day of June 2013, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

1 Copy of the foregoing hand-delivered
2 this 13th day of June 2013, to:

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Rebuttal Testimony of

Vincent Nitido

on Behalf of

Trico Electric Cooperative, Inc.

June 13, 2013

1 **Q. Please state your name and business address.**

2 A. My name is Vincent Nitido and my business address is 8600 West Tangerine Road,
3 Marana, Arizona, 85658

4
5 **Q. What is your position with Trico Electric Cooperative, Inc. ("Trico" or the**
6 **"Company")?**

7 A. I am Chief Executive Officer and General Manager of Trico.

8
9 **Q. What is the purpose of your rebuttal testimony?**

10 A. My rebuttal testimony provides support for the rate decrease that Arizona Electric Power
11 Cooperative ("AEPCO") requested in this case. I also oppose Staff's proposed
12 adjustments to the revenue requirement that will result in higher rates than requested by
13 AEPCO. If Staff's recommendation is adopted, our average residential member will see
14 an annual bill increase of almost \$50.

15
16 I also support the Rebuttal Testimony of Carl Stover, which is being filed on behalf of
17 Mohave Electric Cooperative.

18
19 **Q. Please describe Trico.**

20 A. Trico is a not-for-profit electric cooperative serving more than 38,000 member-customers
21 in northwest Tucson, Marana, Mt. Lemmon, Corona de Tucson, Sahuarita, Green Valley,
22 Three Points, Arivaca and adjacent rural areas. We primarily serve residential customers
23 but we have a small but growing number of commercial customers and some large
24 commercial and industrial customers.

25
26 As a member-owned distribution cooperative, each of our customers is also a member of
27 the cooperative. We are governed by a seven member board of directors. Trico members

1 elect fellow members to represent them on the cooperative's board of directors. One
2 representative is elected from each of seven director districts.

3
4 Trico is a partial requirements member of AEPCO. Trico still purchases the majority of
5 its electricity from AEPCO, as set forth in Schedule H-2 in AEPCO's application in this
6 docket.

7
8 **Q. AEPCO has proposed a Debt Service Coverage ("DSC") of 1.32 in its Testimony.**
9 **Does Trico support the proposed DSC?**

10 **A.** Trico supports the DSC of 1.32 that AEPCO has proposed in its Application and reiterates
11 that position in its rebuttal testimony. The DSC of 1.32 is the same as what was approved
12 in AEPCO's last rate case. Trico agrees with AEPCO that the 1.32 DSC will provide
13 adequate operating revenue while minimizing the rate impact on AEPCO's member
14 distribution cooperatives and their customers. The 1.32 DSC will result in a 2.92% overall
15 revenue requirement decrease for AEPCO.

16
17 **Q. What is Trico's position on Staff's DSC recommendation?**

18 **A.** The direct testimony of the Staff witnesses in this docket recommends a revenue
19 requirement that would reflect a significantly higher DSC of 1.56, which is outside of the
20 sufficiency range (1.20 to 1.50) discussed by Staff. Staff's proposed revenue requirement
21 effectively eliminates any rate reduction proposed by AEPCO. Trico does not support
22 Staff's recommendation.

23
24 As Mr. Pierson has indicated in his rebuttal testimony, AEPCO and its members analyzed
25 Staff's recommendation and concluded that a DSC of 1.32 remains appropriate.

- 1 **Q. What would be the impact if Staff's DSC recommendation is adopted?**
- 2 A. Trico has a purchased power and fuel adjustor mechanism that passes through Trico's
- 3 cost of wholesale power and transmission to its members, including power purchased
- 4 from AEPCO. Staff's recommendation will increase AEPCO's rates above what AEPCO
- 5 is proposing and result in higher-than-necessary rates to our members. Under Staff's
- 6 recommendation, the average Trico residential member will pay approximately \$4.00 per
- 7 month more on average than under AEPCO's recommendation. Thus, Staff's
- 8 recommendation will cost the average Trico residential customer almost \$50 per year
- 9 more than AEPCO's recommendation.
- 10
- 11 **Q. Can you describe those concerns in more detail?**
- 12 A. Certainly. Trico believes it and its member-customers should not be burdened with any
- 13 more of an increase than necessary to provide AEPCO with sufficient net margin and
- 14 cash flow to run its operations. Trico, being a distribution cooperative, has been in the
- 15 position of requesting increases to rates twice in the past eight years. At the same time,
- 16 Trico has sought to increase rates only when necessary and only to the extent necessary
- 17 to cover operating expenses and provide a sufficient margin so that it can continue to
- 18 operate. Considering the current economic climate, any increase should be no more than
- 19 necessary. Trico is unconvinced that Staff's recommendation for AEPCO is essential for
- 20 AEPCO. To the contrary, AEPCO's rebuttal filing confirms that it believes it needs less
- 21 revenue than Staff is recommending.
- 22
- 23 **Q. Has Trico reviewed the rebuttal testimony of MEC witness Carl N. Stover, Jr.?**
- 24 A. Yes.
- 25
- 26
- 27

1 **Q. Does Trico support Mr. Stover's analysis regarding the competing proposals of**
2 **AEPCO and Staff?**

3 A. Yes. Trico agrees with Mr. Stover's analysis concerning Staff's revenue
4 recommendations. Mr. Stover's testimony reflects Trico's concerns over Staff's position.
5

6 **Q. Does this conclude your testimony?**

7 A. Yes, it does.
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